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THE WOOL SITUATION

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Summary

Although little change in domestic wool prices is expected in the immediate future, some strengthening in prices may occur before the end of the year, the Bureau of Agricultural Economics reports. Stocks of finished and semi-finished goods probably have been sharply reduced in recent months, and some recovery in mill consumption of wool from present low levels appears likely for the late summer and fall. Prices in foreign markets may continue steady in view of prospects for some decrease in production in the Southern Hemisphere.

Supplies of raw wool in the United States at the present time are considerably larger than at the same time in 1936 and 1937. But if imports remain small, as now appears likely, an increase in consumption in the latter part of 1938 over that of a year earlier might result in smaller stocks of wool on January 1, 1939, than at the beginning of the current year, but stocks probably will remain relatively large.

The weekly rate of mill consumption of apparel wool in the United States during May was the highest reported since last September. The May consumption, however, was 43 percent lower than in May 1937. Consumption in the first 5 months of the year was only half as large as in the same months of last year and was about 30 percent smaller than the average consumption for those months in the 5 years, 1932-36.

Although present indications point to a fairly large carry-over into the 1938-39 season in the Southern Hemisphere, this may be largely offset by a decrease in production. Supplies for the 1938-39 season, therefore, may be no larger than in 1937-38. The new Australian clip will amount to approximately 960 million pounds, grease equivalent, according to a preliminary estimate. This is a decrease of about 6 percent compared with the 1937-38 clip and will be the smallest clip since 1930.

From such information as is available it appears that supplies of raw wool in European countries are not large, but apparently are adequate for current mill requirements, which are at a reduced level. Stocks of raw wool in Japan are the smallest in many years. Imports into that country are likely to continue relatively small but perhaps not so small as in the season now closing.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

BACKGROUND.- The domestic wool situation thus far in 1938 has been marked by low mill consumption and large stocks of raw wool. Wool prices declined rapidly in the latter part of 1937. And by May of this year, domestic prices were lower than at any time since 1933 except for the spring of 1935. The unfavorable conditions in the domestic wool market early this year were accompanied by declines in prices and in mill activity in foreign countries, and stocks have accumulated in Southern Hemisphere selling centers. Since April, however, prices in foreign markets have been firm to slightly higher.

Wool Sales and Prices

Domestic wool prices were irregular in early June but prices were firm to slightly higher later in the month as the demand for wool improved. Buying increased somewhat over the small sales of the previous month, but sales were still very moderate.

The average farm price of wool on June 15 was 17.7 cents a pound compared with 18.7 cents a month earlier and 31.4 cents a year earlier. Average quotations for June on representative grades of domestic wool at Boston were about 2 cents a pound scoured basis, below the May average and were 30 to 40 percent lower than in June 1937.

Spot bright fleece wools of combing length sold in Boston at 26-27 cents a pound, grease basis, the last week of June. These prices were 1 to 2 cents a pound higher than those quoted at the beginning of the month.

Good French combing length fine territory wools in original bags were quoted in Boston at 62-63 cents a pound, scoured basis, the last week of June, compared with 60-62 cents a month earlier. Prices of Texas fine 12 months wool were slightly irregular during June but for the last week of the month were equal to those quoted at the beginning of June.

Few sales of foreign wool were reported at Boston in June and prices remained nominal and unchanged.

Wool Imports and Supplies

United States imports of apparel wool for consumption were only 6.5 million pounds from January to May, compared with about 111 million pounds imported in those months last year and an average of about 20 million pounds for the 5 years 1932-36. The January - May imports were the smallest for those months in any recent year except 1933.

Because of the small imports so far this year supplies of wool in the United States are not so burdensome as might be expected from current mill consumption levels. While mill consumption of apparel wool from January to May was about 130 million pounds, grease basis, smaller than in the same months of 1937, the decline in consumption was not quite so large as the decline in general imports of such wool. Present stocks of raw wool in the United States are much larger than at the corresponding time in 1936 and 1937 and are large in relation to current mill consumption requirements, but they probably do not differ greatly from the average stocks of the corresponding date in the 5 years 1931-35.

Mill Consumption

Consumption of wool by domestic mills in May increased from the low level of recent months. The weekly average consumption of 3,236,000 pounds, scoured basis, was the highest reported since last September. The May consumption, however, was 43 percent lower than in May last year and was about 20 percent below the May average for the 5 years 1932-36. The only years since 1918 in which May consumption was smaller than this year were 1932 and 1934.

Consumption in the first 5 months of 1938 was equivalent to 103 million pounds of shorn wool, grease basis, and 23 million pounds of pulled wool. Consumption during the period was only half as large as in the same months last year and about 30 percent smaller than the average consumption for those months in the 5 years 1932-36.

Mill sales of men's wear fabrics remained relatively small in June but the women's wear market was more active, according to reports of the New York Wool Top Exchange Service. It was recently announced that the Works Progress Administration will expend 10 million dollars for the purchase of made-up garments for relief distribution. Such purchases should be helpful in clearing the way for new sales of piece goods. The purchases probably will cover cotton garments as well as wool and wool mixtures.

OUTLOOK FOR DOMESTIC PRICES

Current factors in the domestic wool situation indicate little change for domestic prices in the immediate future. Prospects for the fall and winter, however, appear somewhat more favorable.

Since retail sales of wool goods have not dropped so much as mill consumption of wool, stocks of finished and semi-finished goods probably have been sharply reduced in recent months.

The proposed purchase of made-up garments by the W.P.A. should further reduce stocks of finished and semi-finished goods in the domestic wool manufacturing industry, and an increase in mill consumption in late summer and fall appears probable. Such an increase would be in contrast to the second half of 1937 when consumption declined rapidly.

Stocks of wool in the United States at the present time are considerably larger than at the same time in 1936 and 1937 but the increase over a year earlier is no greater, if as great as on January 1. If imports remain small, as now appears likely, an increase in consumption in the latter part of the year over that of 1937 might result in smaller stocks of wool on January 1, 1939, than in January of this year. The carry-over at the beginning of 1938, however, was relatively large.

The spread between foreign and domestic wool prices is now somewhat less than the tariff. If foreign prices remain fairly stable as now seems likely, a moderate advance in wool prices in the United States could occur without causing much increase in imports.

Present prospects indicate that foreign prices will remain firm, at least until the new Southern Hemisphere clip becomes available next fall. The relatively large carry-over of wool now in prospect in the Southern Hemisphere is expected to be about offset by a decline in production. Foreign supplies in the 1938-39 season, therefore, may be no larger than in 1937-38.

FOREIGN SITUATION

Wool Sales and Prices

Clearing sales were held in Australian selling centers in late May and June, the final sales for the 1937-38 season closing at Brisbane on June 28. Prices declined slightly at the Sydney sales which closed June 9 but were firm and unchanged during the remainder of June.

The South American markets reported little change in conditions during May. Sales were small and prices remained unchanged. Much wool of the current clip remains to be sold although normally the active selling season in South America is drawing to a close at this time.

No public wool auctions were held in London in June. The next series in that market is scheduled to open on July 12. As reported last month, prices at the close of the May sales in London for all except scoured, medium and low crossbred wools and sliped wools were equal to or somewhat higher than at the close of the March series.

Wool Supplies in the Southern Hemisphere, June 1

Although indications point to a fairly large carry-over of wool in the Southern Hemisphere at the end of 1937-38 season, this may be offset to a large extent by a decrease in production in 1938-39. Carry-over stocks at the end of the present season may be as large as at the end of the 1931-32 season, but production in 1938-39 will probably be somewhat smaller than it was in 1932-33. The carry-over in the Southern Hemisphere at the end of the 1931-32 season was the largest since early post-war years.

The new Australian clip will amount to approximately 960 million pounds, grease equivalent, according to the preliminary official estimate issued in June at the conference of Australian wool growers and brokers. This is a decrease of about 6 percent compared with the 1937-38 clip and will be the smallest since 1930. A report accompanying the estimate stated that owing to the fact that seasonal prospects were still very uncertain in several States, the making of the estimate this season presented unusual difficulties. Australia produces about 50 percent of the Southern Hemisphere wool clip. The Union of South Africa, and parts of Argentina also are recovering from prolonged drought. The extent to which the drought conditions will affect the size of the coming wool clips in these countries is not yet known.

According to the new livestock census just released, the number of sheep in Uruguay in 1937 was 17,931,000, an increase of 16 percent compared with the 1932 estimate but a decrease of 13 percent compared with the 1930 Census. Ewes numbered 9,830,000 compared with 11,919,000 in 1930. Wool production in 1937 probably reached 120 million pounds or more, compared with 116 million the previous year. Production in 1930 was estimated at 153 million pounds.

Apparent supplies 1/ of wool in the Southern Hemisphere on June 1, were estimated to be 48 percent larger than a year earlier, and 26 percent greater than the June 1 average for the 5 years 1932-36. If deductions are made for wool consumption in such countries now estimated to be about 10 percent of total supplies, the increase in supplies on June 1 above the 5-year average would be about 10 percent. Domestic consumption in Southern Hemisphere countries has been increasing in recent years. Consumption in the five principal wool-producing countries increased from about 110 million pounds in 1933-34 to about 150 million pounds in 1936-37 or 36 percent.

Receipts at selling centers in May exceeded those of a year earlier by 7 percent and the average May receipts for the preceding 5 years by 17 percent. Receipts of 1937 clip wool at selling centers from the beginning of the season to June 1, for the five Southern Hemisphere countries combined, amounted to 1,498,000,000 pounds, which is only 1 percent smaller than in the corresponding period of 1936-37. Exports of wool from Southern Hemisphere countries, on the other hand, totaled only 1,458,000,000 pounds and were 13 percent smaller than a year earlier and about the same percentage smaller than the preceding 5-year average.

1/ Carry-over plus estimated production minus exports to May 30. No deduction made for relatively small quantities consumed locally nor for stocks sold but not yet exported.

Exports of wool from Argentina and Uruguay for the 8 months of the season up to May 31, were almost 30 percent smaller than a year earlier. Germany and France were the only important countries to which shipments increased, the former country taking almost three times as much as in 1936-37. Decreases in shipments to other countries in the first 8 months of the current season as compared with the same period of 1936-37 were as follows: United States, 90 percent; Japan, 80 percent; Belgium, 45 percent; Italy, 59 percent; and United Kingdom, 15 percent. Last season for the 8-month period the United States took the largest amount or 95 million pounds with the United Kingdom next with 82 million pounds. So far this season Germany has been the largest purchaser, taking 82 million pounds; the United Kingdom second with 69 million pounds, while the United States took only 10 million pounds.

Shipments from Australia and the Union of South Africa were reduced 12 percent in the first 10 months of the season through April 30, exports from Australia decreasing 12 percent; and those from the Union of South Africa, 14 percent. As was the case with exports from South America, exports from Australia and the Union of South Africa to Germany and France increased. The three largest purchasers from Australia and South Africa in 1936-37 showed the following decreases in the first 10 months of the 1937-38 season. United Kingdom 1 percent; Japan 59 percent, and Belgium 32 percent. The United States has taken only 5 million pounds of wool from Australia and the Union of South Africa compared with 78 million pounds a year ago.

Supplies in Importing Countries

With prospects of a substantial carry-over of wool into the 1938-39 season in Southern Hemisphere selling centers, the supply situation in importing countries is of particular interest. Statistics of raw wool stocks in importing countries are incomplete but information on imports and manufacturing activity afford some check on the supply situation.

The decrease in exports from the Southern Hemisphere in the current season as compared with the preceding season is largely the result of the decline in demand from Japan and the United States. Imports into Japan from July 1937 to April 1938, inclusive, were only 68 million pounds compared with 178 million pounds in the same months of the previous season, and a 5-year average of 185 million pounds. Imports into Japan are now under Government control. While special provision is being made for supplies for the export trade the Japanese Government has decreed compulsory admixture of staple fiber with wool for home consumption. Stocks of raw wool in Japan are the smallest in many years. Imports are likely to remain curtailed under present economic conditions in that country but perhaps not to so great an extent as in the season now closing.

From available information it appears that supplies of raw wool in European countries are not large but are adequate for current manufacturing requirements, which have been reduced. No general increase in the demand for raw wool from those countries appears likely until there is a substantial improvement in mill activity, particularly in the United Kingdom, Belgium, and France.

Retained imports of wool for the United Kingdom, France, Germany, Belgium, and Italy combined from July 1, 1937, to the latest date for which statistics are available (March - May) were slightly larger than in the same months of the previous year but were about 10 percent smaller than the 5-year average 1932-33 to 1936-37. France, Germany, and Italy have imported larger quantities of wool than in the previous season while the United Kingdom and Belgium report smaller imports. In all countries except Germany and Belgium imports were below the 5-year average.

Retained imports for the United Kingdom from July to May were approximately 511 million pounds compared with 516 million for the same months of the preceding season and a 5-year average of 538 million pounds. Mill consumption of wool in the United Kingdom has declined sharply since last July. Consumption from January to May was estimated by Mallett & Company to be almost 100 million pounds smaller than in the same months of 1937 and the smallest for the period since 1932.

Wool stocks at the principal English ports and at railway and canal depots in Yorkshire at the end of April were about the same as a year earlier when stocks were relatively small, according to statistics published in "Wool Intelligence Notes." Stocks this year were much smaller than on that date in the years 1933-36. Such statistics do not cover all stocks of raw wool in the United Kingdom.

A sharp decline in imports into Belgium has accompanied a decline in manufacturing activity in that country. Stocks of wool tops at Belgian combing establishments at the end of April, however, were the largest since 1933.

Imports of wool into France through March were larger than in the previous season when imports were unusually small, but the 1937-38 imports are smaller than the 5-year average, 1932-33 to 1936-37. The increase in imports in the current season may have been partly the result of the recent currency devaluation. Manufacturing activity in France has continued at a relatively low level.

Imports into Germany and Italy are subject to government control, and supplies are reported to be inadequate for mill demand in those countries.

SUPPLEMENTARY DATA

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average 1936	Average 1937	June 1937	1938 Apr.	1938 May	1938 June
	Cents	Cents	Cents	Cents	Cents	Cents
Boston:						
Territory combing scoured basis:						
64s, 70s, 80s, (fine)	92.0	101.9	102.0	69.0	68.0	65.0
56s, (3/8 blood)	80.4	87.1	88.5	57.5	55.8	54.0
46s, (low 1/4 blood)	65.9	72.1	68.5	51.0	51.0	49.0
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	31.4	18.3	18.7	17.7
London: 1/						
Average quality, clean cost 2/-						
70s	58.4	62.1	70.4	43.1	44.5	
56s	35.1	46.3	51.4	31.1	31.6	
46s	23.8	39.5	44.2	26.2	26.9	
Bradford: 3/						
Scoured basis -						
64s warp	59.8	64.7	72.0	45.7	46.4	43.4
50s	29.7	43.2	49.4	28.0	28.9	26.9
Australia:						
Average price at all selling centers, greasy wool 4/	23.0	24.7	10/14.5	11.1	10.9	
Sydney (Delivered Bradford) 5/-						
70s warp, clean basis	11/62.9	12/67.5	13/	49.8	14/51.0	
Union of South Africa:						
Average export price, greasy wool	21.4	25.1	24.4	17.5	15.4	
Price at selling centers 6/-						
70s warp, clean cost	15/60.5	15/62.9	13/	47.8	47.6	
Argentina:						
Buenos Aires Market -						
Buenos Aires, South & Southeast coarse crossbred, greasy -						
32s - 50s	16/15.6	17/21.7	13/	15.4		
Uruguay:						
Montevideo Market -						
Fine crossbred, greasy -						
50/56s - 60s	34.2	18/39.8	13/	19/18.6	18.7	
Coarse crossbred -						
32/36s - 44s	23.9	18/30.8	13/	19/17.0	17.3	
United States:						
Textile fibers -						
Wool, territory fine staple 7/	92.0	101.9	102.0	69.0	68.0	65.0
Cotton, 7/8 Middling 8/	11.9	11.2	12.5	8.8	8.5	8.4
Silk, Japanese 13-15 9/	176.6	186.0	182.7	161.9	160.0	160.9
Rayon yarn, 150 denier	58.6	62.2	63.0	54.0	52.0	49.0

Continued -

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38 Cont'd.

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices, except United States farm price which is weighted average.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated.
2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London Office of the Bureau.
4/ National Council of Wool Selling Brokers of Australia.
5/ Wool Record and Textile World, Bradford.
6/ South Africa Ministry for Agriculture.
7/ Scoured basis, Boston market.
8/ Average at 10 markets.
9/ 78 percent white, at New York.
10/ Low price due to miscellaneous quality of offerings.
11/ 7-month average. No quotations April to August.
12/ 8-month average. No quotations May to August.
13/ No quotations.
14/ First week only.
15/ 9-month average. No quotations June to August.
16/ 10-month average.
17/ 4-month average.
18/ 5-month average. Only months quoted.
19/ Average for 3 weeks.

Table 2.- United States: Wool imports, consumption and machinery activity, specified periods, 1936-38

Item	Jan. - Dec.		Jan. - May		May	Apr.	May
	1936	1937	1937	1938	1937	1938	1938
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight: 1/							
Apparel	110,712	150,160	111,095	6,529	16,019	999	1,169
Finer than 40s	84,759	126,601	95,444	4,586	14,636	692	664
Not finer than 40s	25,953	23,559	15,651	1,943	1,383	307	505
Carpet, including camels hair	143,276	172,091	96,321	12,647	13,629	2,509	2,784
Consumption, scoured basis 2/-							
Weekly average -							
Apparel	5,351	4,772	6,053	2,763	5,718	2,525	3,236
Carpet	2,029	2,023	2,788	834	2,524	668	759
Aggregate -							
Apparel	278,258	248,121	133,162	60,778	22,872	12,623	12,944
Carpet	105,504	105,197	61,341	18,347	10,096	3,329	3,036
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/- (40-hour shift)							
Worsted combs	121.1	115.2	148.5	64.6	140.4	60.9	80.3
Worsted spindles	83.5	82.2	106.2	44.2	102.0	38.4	52.4
Woolen spindles	118.2	107.8	133.3	58.9	128.1	45.1	54.2
Looms, broad	98.9	97.2	121.3	55.8	117.9	39.4	49.9
Looms, narrow	51.9	51.0	69.7	25.0	64.5	18.5	22.6
Carpet and rug looms	68.3	71.3	87.6	40.0	85.4	43.3	33.2

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for April based on 5 weeks, May on 4 weeks, January to May on 22 weeks. No adjustment made for holidays.

Table 3.- Exports of wool (grease, scoured and washed combined) from Australia and the Union of South Africa first 10 months of season, July 1 to April 30, 1936-37 and 1937-38

Country of destination	Australia 1/		Union of South Africa 2/		Total	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	293.4	284.8	29.5	33.8	322.9	318.6
Germany	36.4	47.7	41.4	78.1	77.8	125.8
France	76.7	111.7	29.5	33.6	106.2	145.3
Italy	30.0	28.5	10.3	14.5	40.3	43.0
Belgium	126.8	82.4	17.8	15.7	144.6	98.1
Netherlands	9.7	6.7	3/	3/	9.7	6.7
Japan	71.1	57.3	80.2	4.5	151.3	61.8
United States	73.4	4.5	5.0	0.3	78.4	4.8
Canada	3.6	3.1	3/	3/	3.6	3.1
Total	721.1	626.7	213.7	180.5	934.8	807.2
Other countries	38.1	43.5	8.6	9.7	46.7	53.2
Grand total	759.2	670.2	222.3	190.2	981.5	860.4

Wool Intelligence Notes.
1/ Statistics of the Commonwealth of Australia Bureau of Census and Statistics.
2/ Report of the South African Trade Commissioner in London.
3/ If any, included with "other countries".

Table 4.- Exports of wool (grease, scoured and washed combined) from Argentina and Uruguay to principal consuming countries, first 8 months of season, October 1 to May 31, 1936-37 and 1937-38

Country of destination	Argentina		Uruguay		Total	
	1936-37	1937-38 1/	1936-37	1937-38	1936-37	1937-38
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	63.5	51.9	18.0	17.5	81.5	69.4
Germany	14.4	57.7	14.8	24.8	29.2	82.5
France	30.5	34.1	4.8	3.5	35.3	37.6
Italy	20.8	6.5	7.3	4.9	28.1	11.4
Belgium	22.0	12.1	8.0	4.5	30.0	16.6
Netherlands	0.7	1.3	1.5	2.0	2.2	3.3
Japan	20.7	6.5	26.4	2.7	47.1	9.2
United States	68.7	9.1	26.4	0.6	95.1	9.7
Total	241.3	179.2	107.2	60.5	348.5	239.7
Other countries	11.5	13.0	1.9	5.2	13.4	18.2
Grand total	252.8	192.2	109.1	65.7	361.9	257.9

Trade reports supplied by Buenos Aires Office of the Bureau of Agricultural Economics.
1/ Preliminary.